

# ELON MUSK GRILLING ROBINHOOD CEO VLAD ON CLUBHOUSE FULL INTE...

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## SUMMARY KEYWORDS

robin hood, called, unprecedented, people, customers, trades, activity, ilan, clearing house, market makers, securities, broker dealer, hitchhiker, fair, vlad, restrict, shares, based, robin, deposit



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No, I think you know, I don't we don't take up too much of your time. This has been amazing. You pretty much broken clubhouse there are probably about like over a dozen, maybe more overflow rooms. And I see so many Twitter trends right now. You've been so generous for all your listeners here and on Twitter, you've been asked me for people that join neural link even ask people to join Tesla do any final thoughts for everybody who's listening to you right now? What do you want to hear the real story from Vlad from Robin Hood about what happened this week with GameStop?



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Sure, go for it. Okay, you need to like let him somehow click on a button so he can talk.



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Let me figure this out.



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While we're figuring it out, Elon, right into doctors about Hitchhiker's Guide to the Galaxy. Since you mentioned that right at the begin.



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Yeah, hit Texas Goodbye, hit The Hitchhiker's Guide to the Galaxy. But I guess Adams is in fact a book of philosophy, disguised as a silly human book.



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And if you read it from the standpoint of, wow, this is an interesting book philosophy. This is quite insightful.



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You know, as much as he really goes, he hits the point of the answer is easy once you probably can, can properly formulate the question.



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And, yeah.



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I mean, I like the fact that the ship is powered by infinite improbability.



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It's called the heart of gold.



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Yeah, yeah. So



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he makes fun of pure bureaucracy. In fact, Earth essentially gets destroyed by a sort of clerical error or



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by the pod, essentially. They're like, they basically



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decided that they need to have an SSL highway and the earth in the way and so they, they post the fact that Earth needs to get destroyed for this Interstellar highway. But of course, it's posted on alien bulletin board bulletin board that no one else can access.



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And, and so then that those surpriesment people on earth are unhappy about this. It's like it was posted on the board. What do you mean? Like what board?



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Some say some of the things in Doug's house look like the babelfish we put the fish in your ear that automatically translates we kind of have that already.



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So yeah, I mean, this. The future is coming.



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Elon okay. A lot. Can you hear us? Vlad the Impaler.



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Hey, guys. Thanks for thanks for inviting me up. It's good to hang with all of you.



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Alright, flat. What really happened? Give us the inside scoop. All right. Well, I was actually hoping that you would invite me up for the Fermi Paradox part. Because there's been a very surreal weekend and week for me. One of the really great things is all the people

coming to coming out of the woodwork to offer support for the company. Offer, you know, advice. So I got introduced today. And actually, I should say I just randomly downloaded clubhouse a couple of days ago, just to see what it was all about. So this is my first time literally using the app. But um, yeah, I, I got introduced to your friend Antonio, Ilan, who had some good advice for me, and then introduced me to you. You had some great advice. And then I figured, you know, I heard about this clubhouse. And this has got to be part of the simulation. So I just thought, why not? So here I am. So I'm actually I'm actually an adherent to the simulation hypothesis.



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All right, well, spill the beans. Man. What happened last week, why'd you stop here? Why can people buy GameStop shares? The people demand an answer, and they want to know the details and the truth. Yep, yep. Okay, so let me let me start by giving a little bit of background. So I'm the chief executive of Robin Hood. Robin actually



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been through this quickly, don't worry, this is this is a this is important. It's actually a couple of companies. So there's a an introducing broker dealer called Robin Hood financial. And that basically is the app that you know and love. It processes trades. You're a customer of Robin Hood financial. Then there's a clearing broker dealer, Robin Hood securities that clears and settles the trades. And then we have Robin Hood crypto, which is our crypto business. All of which all of these are kind of



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different entities that are differently operated. So, basically Wednesday of last week, we just had, you know, unprecedented volume, unprecedented load on the system. A lot of these, you know, so called mean stocks were,



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you know, going viral on social media and, and people were



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people were joining Robin Hood, and there was a lot of net buy activity on them.



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As you guys all know, and Robin Hood at this time, I think was number one on the iOS App Store.



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And pretty close, if not number one on on Google Play as well. So just unprecedented me.



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And so Thursday morning rent.



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So I'm sleeping.



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But at 3:30am Pacific,



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our operations team receives a file from the nsec, which is the National securities clearing Corporation. So basically, as a broker as a clearing broker. And this is where Robin Hood securities comes in, we have to put up money to the nfcc based on some factors, including things like the volatility of the of the trading activity, concentration into certain securities. And this is this is the equities business. So it's based on stock trading, and



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not options trading or, or anything else.



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So they gave us a file with a deposit. And the the request was around \$3 billion dollars.



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Which is, you know, about an order of magnitude more than what it typically is rent. So



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why was that so high? Like this seems like, like, it sounds like this is an unprecedented increase in demand for capital? What formula did they use to calculate that? Well,



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yeah, and just to give context, you know, Robin Hood, up until that point has raised, you know, a little bit around \$2 billion in total venture capital, up until now. So it's a big number, like \$3 billion is,



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is a large number read. So basically, the, and, you know,



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the details are, we don't have the full details, it's a little bit of an opaque formula, but there's a component called the var of it, which is value at risk. And that's based on kind of some fairly quantity, creative things, although it's not, it's not fully transparent. So there are ways to reverse engineer it, but it's not kind of publicly shared.



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And then there's a special component, which is discretionary. So that's, that kind of acts as a multiplier. And basically, discretionary discretionary meaning like it's just their opinion. Yeah, they're, it's, it's a little bit. I mean, I'm sure there's, there's definitely more more than just their opinion. But basically, well, I mean,



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what everyone wants to know, what everyone wants to know, is like, what did something maybe shady go down here? Like, like, it's like, seems weird that you'd get a sudden \$10 billion demand, you know, 3,000,000,003? three in the morning, right? How much? It was 3

billion US dollars, 3 billion, okay, there's 3 billion around,



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you know, just suddenly out of nowhere.



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And I want this and I wouldn't include, I wouldn't impute shading as to it or anything like, okay, and actually, you know, the nfcc was reasonable subsequent to this, and, you know, they've been, they've been, they worked with us to, to actually lower it. So, it was unprecedented activity. You know, we don't I don't have the full context about,



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you know, what was what was going on in what's going on in the in the nstc to make these calculations, but



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yeah, essentially, it was the largest anyone holding you hostage right now?



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No, no, I'm okay. Twice.



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Yeah.



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Thanks for asking. But anyway, this was, this was obviously nerve racking, and I actually was asleep at this point, you know, the operations team was, was fielding this at three o'clock. And then, you know, we got back, we put our heads together.



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You know, our Chief Operating Officer basically said, Look, let's call up the higher ups at the nsec and kind of figure out what's going on. Maybe there's some way we can work with them. And



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basically, there was a



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another call. And they lowered it to something like \$1.4 billion from three. So again, we're making some progress, right? And then,



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but still a high number. And then



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we basically proposed Well, let's, let's explain how we plan to.



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Let's explain how, you know, we'll manage risk in the symbols throughout the day, we propose marking these volatile stocks that were kind of driving driving the activity, position closing only. And then at about



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an hour before market closed market open. So 530 or five in the morning, they came back and they said, okay, the charges are the deposit 700 million, which we then deposited and paid promptly, and then everything was fine.



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So that that essentially explains why we had to,



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we had to mark these symbols position closing only, and also why, you know, we didn't want to we knew this was a bad outcome for customers. You know, part of what's been really difficult is



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Robin Hood stands for, you know, democratizing access to stocks, and we want to, we want to give people access. So that's been very, very challenging. But we had no choice in this case, we had to conform to our regulatory capital requirements. And so the team did, did what they could make sure we were available for customers.



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Who controls this somatization this clearing house?



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You know, it's a it's a consortium. That's not it's not quite a government agency. You know, I, I don't really know the details of, of, of all of that.



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But okay, you know, and to be fair, like we were, we were, I think there was legitimate sort of turmoil in the markets, like, these are unprecedented events with these mean stocks. And, you know, there was a lot of activity. So there probably is



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some amount of extra risk in the system that warrants Higher, higher requirements. So it's not entirely unreasonable.



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But we did operational processes to make sure that customers that had positions could sell their open positions, because, obviously restricting someone we got a lot of questions about, okay, you had to restrict buying, why don't you also restrict selling. And the fact of the matter is, people get really pissed off, if they're holding stock, and they want to sell it and they can't read. So. And that's, that's categorically worse. So.



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And lots of other brokers. I think we're in the same situation. Robin Hood was in the news, but you just sort of heard this industry wide, right? Other brokers basically restricted the same exact activity.



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Alright, so it sounds like this, this organization calls you up, and they basically have a gun to your head either



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either handle this money or, or else.



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And so it gives, I mean, basically, what people are wondering is like, did you sell your appliance down the river? Or do you have no choice? And you had no choice? That's understandable. But then, you know, we got to find out why you had no choice? And who are these people that are saying you have no choice?



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Yeah,



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I think that's fair, you know, we have to comply with these requirements, financial institutions have requirements, you know, the, the the formula behind these requirements, I think



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it would obviously be ideal if there was a little bit more transparency, so we could plan better around that.



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You know, but to be fair, we were able to open and serve our customers. And,



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you know, 2424 hours later,



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our team raised over a billion dollars in capital, so that when we, when we did open, well, when we do open tomorrow morning, we'll be able to kind of relax the stringent position limits that we put on these securities on Friday.



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Will there be any limits?



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Well, I think there's always gonna be some theoretical limit, like we don't have infinite capital, right. And on Friday, there were limits. So there's always there's always going to have to be some limit. I think the question is, you know, will the limits be high enough to the point where, you know, some, they won't impact you know, 99.9 plus percent of customers.



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So,



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you know, if someone were to deposit



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\$100 billion and decide to trade in one stock like that, that wouldn't be possible, you know?



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All right.



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All right. Well, I guess people really just want to know, you know, if you had no choice, then you have no choice. It's a fair situation.



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And, you know, then that's understandable. But then rope with a gun to your head? Should you be willing to ask the public?



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Yeah, listen, and, you know, I know there's, there's processes, this is unprecedented times. And to be fair to those guys, they've been, they've been reasonable. So



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we are, I think the one thing that is maybe not clear to people is Robin is a participant in the financial system. So we have to work with all of these counterparties. So we do get a lot of questions about, you know, why do you work with market makers? Why do you work with clearing houses, vertically integrating and getting? I mean, it's hard enough to build a introducing a clearing broker dealer, not too many people have done that. But the financial system that allows customers to trade shares is sort of a complex web of multiple parties. And



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you know, it's it's hard to a, everyone says, oh, it could be better, it could be improved. It's just the necessity of trading equities in the US that you have to do all these things.



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Right, to what degree are you beholden to Citadel?



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I mean, like, like, basically, if Citadel was unhappy, then I would then what happens? Yeah, so that, you know, there was a rumor that



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Citadel or other market makers kind of pressured us into doing this. And now that's just false, right?



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market makers execute our trades, they execute trades of every broker dealer. No, this was this was a clearing house. This was a clearinghouse decision. And it was just based on the capital requirements. So



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from our perspective, you know, Citadel and other market makers



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weren't involved in that.



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But wouldn't they have a strong say, and, and who got put in charge of that organization, since it's an industry consortium? Not a government Consortium, or not a government

regulatory agency?



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Um, I don't have any reason to believe that I think that's just like, you know, then you're getting into kind of the conspiracy theories a little bit. So I just have no, no reason to believe that. That's the case, you know. Okay.



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All right.



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Well, I guess we'll see what happens with future actions.



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Inside for at least a little bit irritating. Oh, you're not entertained?



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Yeah. Okay. Well,



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I don't know what to say. First of all,



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thank you so much for jumping on. I know, it's pretty late. And thank you so much, you know, deep, I deeply appreciated and I'm sure everyone in the audience here and watching elsewhere. deeply appreciated. So thank you so much. We really appreciate this. I'm going to wrap this up. Ilan, what can I say? You know, thank you so much. I hope we had a fun time. For your first time on clubhouse. We have fun.



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Yeah, it's great. This is awesome. I didn't even know existed a week ago. seems cool. Awesome. So what do you come back?



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Yeah.



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All right. Okay. Well, you know, thank you so much. And also thank you everyone for listening in. I know we went way over Ilan. Ilan, we, every time we do this show, we try and pick a song that fits the person interviewing. So I'm going to play us out of the show with a song that I think you might like Gary